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August 10, 2004

VIA OVERNIGHT DELIVERY

The Honorable Joel H. Peck, Clerk
State Corporation Commission
Tyler Building - 1st Floor
1300 East Main Street
Richmond, Virginia 23219

ATTN.: DOCUMENT CONTROL CENTER

Re: In Re Joint Petition of Special Receivers of Doctors Insurance Reciprocal, RRG, in Receivership, American National Lawyers Insurance Reciprocal, RRG, in Receivership, and The Reciprocal Alliance, RRG, in Receivership; Case No. INS-2004-00244; Our File No. 65000-203

Dear Mr. Peck:

It has come to our attention that the Deputy Receiver's Application for Approval of Agreement to Stay Proceedings and Tolling Agreement, which was filed on July 20, 2004, was inadvertently missing the exhibit.

Thus, the original and 16 copies of the Deputy Receiver's Application for Approval of Agreement to Stay Proceedings and Tolling Agreement (including the exhibit) are enclosed herewith.

Please date stamp the extra copy and return to us in the enclosed self-addressed, stamped envelope. Thank you for your kind assistance in regard to this matter. Please let us know if you have any questions.

Respectfully submitted,



Susan E. Salch
Counsel to the Deputy Receiver

SES:dkd

Enclosures

cc: All Parties of Record

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DOCUMENT CONTROL

Background

1. On April 25, 2003, the Special Deputy Receivers (“SDRs”) of ANLIR, DIR, and TRA filed a Joint Petition for Expedited Review of Claims and Deputy Receiver’s Determination of Appeal and Brief in Support of Joint Petition (“Joint Petition”) with the State Corporation Commission (the “Commission”). The SDRs sought a finding by the Commission that the insureds of the RRGs are entitled to be treated in the same manner and with the same priority as ROA’s insureds. The SDRs also sought to have the claims of the RRGs’ insureds, and those of third-party claimants under the RRGs’ policies, paid by the Companies. Additionally, the SDRs asserted claims regarding approximately \$57 million in certain funds (the “FVR Recovery”) obtained by the Deputy Receiver from a trust account established by First Virginia Reinsurance, Ltd. (“FVR”).

2. On April 30, 2003, the Deputy Receiver issued his Fifth Directive Regarding a Discontinuance of Policy Payments and Discontinuance of Other Claim Payments (“Fifth Directive”) in which he directed the discontinuance of all payments, including those to policyholders, subscribers, and third-party claimants for claims under insurance policies of ROA. However, partial or total disability payments arising under ROA workers’ compensation insurance policies, and medical and recurring partial or total disability payments made thereunder (“Disability Payments”), were directed to continue until such time as they could be resumed by guaranty associations. The Fifth Directive also directed for continuing payment of administrative expenses and secured claims against the Companies.

3. Also on April 30, 2003, the Commission entered a Scheduling Order and Temporary Injunction (“Temporary Injunction”), enjoining the Deputy Receiver from making any further

payments to ROA's policyholders, subscribers, or third-party claimants, with the exception of Disability Payments, until further order of the Commission.

4. Following additional proceedings, on June 10, 2003, the Commission entered an Order Canceling Hearing that, *inter alia*: (1) dissolved the Temporary Injunction issued on April 30, 2003, and (2) directed that the Deputy Receiver not revoke, cancel, or amend the Fifth Directive without first providing at least ten business days' written notice thereof to the SDRs, the Commission, and to any other person who has, as of the date of such notice, made an appearance herein. Additionally, the Order required that such notice specifically state the nature and reason for the proposed action, and the total amount of monies involved if the action requires monetary payments.

5. On July 14, 2003, the Commission referred this matter to Hearing Examiner Michael D. Thomas (the "Hearing Examiner"). Mr. Thomas issued a Hearing Examiner's Ruling on August 6, 2003, establishing a schedule for this matter, culminating in an evidentiary hearing scheduled to commence on December 8, 2003.

6. There have been a number of filings and proceedings since this matter was referred to the Hearing Examiner, including the addition of a number of parties, though limited in scope of participation.

Agreement to Stay Proceedings and Tolling Agreement

7. On October 10, 2003, the Deputy Receiver and the Tennessee Receiver (collectively, the "Parties") entered into the Tolling Agreement, a copy of which is attached hereto as Exhibit A and incorporated herein by reference.

8. In sum, under the Tolling Agreement the Parties agreed to the following: (1) to request that the Hearing Examiner stay further proceedings in the litigation while the Parties seek the Commission's approval of the Tolling Agreement, (2) assuming approval of the Tolling Agreement by the Commission, to stay this proceeding until September 30, 2004, such term being automatically extendable in six-month increments, (3) to permit payment by the Deputy Receiver of claims of ROA direct policyholders and insureds ("ROA Claims," singularly referred to as "ROA Claim") in an amount calculated not to create a preference in the event that subsequent proceedings herein result in rulings favorable to the SDRs as to their claim to the FVR Recovery, and their claim to elevated priority on the distribution of ROA and TRG assets, and (4) to attempt to negotiate a Common Interest Agreement.

9. The payment of ROA Claims pursuant to the Tolling Agreement would be at a percentage (the "Payment Percentage") no higher than that which the Companies' actuaries and accountants reasonably believe will be ultimately available to pay all ROA Claims (including approved claims of the state guaranty associations), even assuming (for the purpose of this calculation only) that the RRGs' policyholders and insureds are to be treated with the same priority as ROA's insureds. *Additionally, only for the purposes of determining the Payment Percentage, the FVR Recovery will not be considered an ROA asset, and the RRG claims will be reduced by a corresponding amount.* The Tolling Agreement also provides that once the Payment Percentage is agreed upon, the RRGs shall not later claim that payments made using that percentage constitute an illegal preference among similarly situated creditors under VA. CODE ANN. § 38.2-1509 (B)(1).

10. By ruling dated October 10, 2003, the Hearing Examiner: (1) approved the Tolling Agreement, (2) suspended the discovery deadline, (3) ruled that the Deputy Receiver's motion for

summary judgment shall remain pending until further ruling of the Examiner, and (4) suspended the hearing on the merits scheduled for December 8, 2003.

**Effect of Approving the Agreement to Stay Proceedings and Tolling Agreement
and the Mutually Agreed Upon Payment Percentage**

11. Approval of the Tolling Agreement would allow the Parties to preserve and further marshal the assets of their respective receivership estates, possibly share beneficial information through a Common Interest Agreement, and resume at least partial payment of ROA Claims.

12. We also seek approval of the mutually agreed Payment Percentage independent of the continued existence of the Tolling Agreement. The conservative methodology employed to derive the payment percentage for ROA Claims provides for a safe payment percentage. Even assuming that it is ultimately determined that the claims of the RRGs' policyholders and insureds are to be treated with the same priority as ROA Claims, the Payment Percentage still results in the availability of sufficient funds for the payment of the claims of the RRGs' policyholders and insureds at the same percentage as that of ROA Claims of the same priority. As such, there is no preference of creditors or harm arising from the approval of the Payment Percentage regardless of whether the Tolling Agreement subsequently is terminated between the Parties.

13. The Deputy Receiver has been advised by his professional advisors that, based upon current information, he may pay 17% of ROA Claims without creating a preference of creditors. Under this payment analysis, the Deputy Receiver determined that ROA had total approximate direct policy losses of \$462,052,000 available for the percentage payout and total approximate assets of \$77,511,000 available for the payment of such direct policy losses. Additionally, the Deputy Receiver's outside experts have estimated that the liability for Disability Payments for all of the

Assumed Claims may be as high as \$35,000,000, and the Deputy Receiver reduced the estimate of available assets to include a reserve for the Assumed Claim liabilities in case the Commission orders the payment of such Assumed Claims¹. In the event the Commission orders the payment of the Assumed Claims, the Deputy Receiver has further determined that the aggregate of 17% payments on ROA Claims, together with the Assumed Claims payments will not exceed approximately \$112,511,000.

14. The payment determination analysis makes a number of conservative assumptions. For example, the Deputy Receiver's advisors assumed that ROA will not receive any investment income from its invested assets. The Deputy Receiver's advisors further assumed that ROA will not receive any reinsurance recoveries from General Reinsurance Corporation. Next, as a hypothetical assumption, the Deputy Receiver's advisors assumed that the RRGs' direct policy claims would receive the same priority and payment as ROA's direct policy claims. Finally, the payment determination analysis includes another hypothetical assumption, that the FVR Recovery is unavailable for claim payments (*i.e.*, the FVR recovery is not an asset of ROA, but instead, is an asset of the RRGs). The aggregate liability of the RRGs, for which ROA would be responsible as a reinsurer, is reduced by the same amount as the FVR recovery. Thus, the payment determination analysis assumes that the FVR Recovery will satisfy a like amount of the RRGs' claims. Ultimately, the payment determination analysis assumes that the RRGs prevailed on their claims against ROA, and, as such, there should be no preference of creditors if the conservative payment percentage of 17% is adopted by the Commission. Therefore, payment of the 17% amount on ROA Claims should

¹ The Assumed Claims are discussed further in paragraphs 16 and 17 of this Application.

not prejudice the interests of the RRGs and their insureds. The Deputy Receiver's advisors have also incorporated a risk margin of approximately \$42 million into the recommended payment determination, and this risk margin will be an additional cushion against unforeseen or unanticipated liabilities that may arise in the future.

15. Accordingly, the Deputy Receiver estimates, based upon the payment determination analysis, that total 17% payments of no more than approximately \$77,511,000 will be made on ROA Claims in the future. In the future, if the Deputy Receiver believes that ROA's direct policy or other claims may be paid at a higher percentage without preference, he will re-apply to the Commission for authority to make such additional claim payments. The RRGs have agreed to the proposed Payment Percentage of 17% for ROA Claims. In addition, administrative expenses and secured creditor claims of ROA will be paid at 100% in the future.

16. In accordance with VA. CODE ANN. §38.2-1509(B)(1), the guaranty associations will also receive reimbursement at 17% for actual claims payments they have made, and for settlements that have been approved and finalized, though for which payment may not yet have been issued. However, the Deputy Receiver will not provide payment to the guaranty associations for reserves attributable to claims that have not yet been paid, and as to which a settlement has not been fully finalized and approved. Payments to the guaranty associations hereunder are to be recognized as payment under the requests for early access by those guaranty associations in Commission Case No. INS-2003-00267.

17. There are workers' compensation claims that ROA assumed as a result of assumption reinsurance or similar transactions with several Self-Insured Trusts (SITs) in Alabama, Arkansas, Kentucky, and Missouri, and Group Self-Insurance Associations (GSIA's) in Mississippi, North

Carolina, Tennessee, and Virginia² ("Assumed Claims"), which the Deputy Receiver believes constitute direct policyholder claims. The issue of payment of Disability Payments for the Assumed Claims has been presented before the Commission in INS-2003-00024.³

18. This Application does not seek to change or modify the Commission's January 8 Order. In accordance with that Order, the Deputy Receiver is currently allowed to make wage replacement and indemnity payments for the Assumed Claims. However, pursuant to the

² The SITs were the Healthcare Workers Compensation Self-Insured Fund (Alabama), Arkansas Hospital Association Workers' Compensation Self-Insured Trust, Compensation Hospital Association Trust (Kentucky), and MHA/MSC Compensation Trust (Missouri). The GSIA's were MHA Private Workers' Compensation Group (Mississippi), MHA Public Workers' Compensation Group (Mississippi), SunHealth Self-Insurance Association of North Carolina, THA Workers' Compensation Group (Tennessee), and Virginia Healthcare Providers Group.

³ On July 11, 2003, the Deputy Receiver filed his Application for Order Authorizing the Continuation of Workers' Compensation Disability Payments by Reciprocal of America and The Reciprocal Group for Workers' Compensation Claims Denied Coverage by State Guaranty Associations ("Disability Payment Application"). Responses were filed by the SDRs and various guaranty associations, and the proceedings culminated in a hearing held before the Commission on September 17, 2003. By request of the Commission, briefs were filed by September 29, 2003, in support of positions argued. On November 12, 2003, the Commission approved the Disability Payment Application with certain modifications ("November 12 Order"). On December 1, 2003, certain guaranty associations filed a Petition for Suspension of Order Pending Appeal and a Petition for Rehearing or Reconsideration. On December 2, 2003, the Commission entered an Order granting the Petition for Rehearing or Reconsideration for the purpose of receiving responses thereto. On January 8, 2004, the Commission entered an Order on Reconsideration which denied the guaranty associations' Petition for Suspension of Order Pending Appeal, denied their Petition for Rehearing or Reconsideration, and reinstated the November 12 Order ("January 8 Order"). The November 12 Order also assigned the determination of whether the SITs and GSIA's or employers thereof constitute "other policyholders arising out of insurance contracts" pursuant to VA. CODE ANN. § 38.2-1509(B)(1). In addition, by Order on January 29, 2004, the Commission has permitted the Hearing Examiner to make this determination for two SITs with liability Assumed Claims, the Alabama Hospital Association Trust and the Kentucky Hospital Association Trust. There is currently a September 22, 2004, hearing date set for these proceedings.

Commission's November 12 Order, the Deputy Receiver is pursuing diligently alternative avenues of payment. See November 12 Order at 16.

19. At present, the Deputy Receiver is prevented from making any payments to policyholders and insureds (other than Disability Payments) by his own Fifth Directive and the Commission's Order dated June 10, 2003, which prevents cancellation or modification of the Fifth Directive without prior approval of the Commission. Accordingly, the Deputy Receiver also seeks herein an order of the Commission authorizing the Deputy Receiver to cancel or modify the Fifth Directive so as to permit the proposed payments. By way of notice, in accordance with the Order dated June 10, 2003, a copy of this Application is being served upon all parties of record in this proceeding contemporaneous with its filing. The Application satisfies the requirements regarding the content of the notice contemplated in the Order dated June 10, 2003, in that it specifically states the nature and reason for the proposed payments, as well as the monies involved. However, so that he may comply fully with the requirements of the Order dated June 10, 2003, the Deputy Receiver respectfully requests that the Commission not hold a hearing or rule upon this Application for at least ten (10) business days, so that any interested party may express its views on the matters at issue.

20. Additionally, the Deputy Receiver respectfully requests that the Commission's order setting hearing require that any interested party who objects to this Application, or any portion thereof, be required to file with the Commission and serve on the Deputy Receiver a written statement of objection, detailing the legal and/or factual bases for the objection no later than ten (10) business days prior to the hearing.

WHEREFORE, PREMISES CONSIDERED, the Deputy Receiver respectfully requests an order:

- a. approving the Tolling Agreement entered into by the Deputy Receiver and the Tennessee Receiver on October 10, 2003;
- b. approving payment by the Deputy Receiver of ROA Claims at 17% as the Payment Percentage mutually agreed upon by the Parties, regardless of whether the Tolling Agreement subsequently is terminated between the Parties;
- c. approving that all 17% ROA Claim payments, as described in this Application, will not exceed approximately \$77,511,000 without further order of the Commission;
- d. approving that the payments hereunder to guaranty associations are payments to be recognized as payments under requests for early access in Commission Case No. INS-2003-00267;
- e. approving modification or cancellation of the Fifth Directive so as to allow the Deputy Receiver to proceed with partial payment of ROA Claims; and
- f. granting such other and general relief as the Commission deems proper under the circumstances.

Respectfully submitted,

Alfred W. Gross, Commissioner of Insurance, State
Corporation Commission, Bureau of Insurance, as Deputy
Receiver of Reciprocal of America and The Reciprocal Group

By:



Susan E. Salch

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CERTIFICATE OF SERVICE

I hereby certify that on August 10, 2004, the original and 15 copies of the foregoing document was sent via overnight delivery to:

Mr. Joel Peck
Clerk of the Commission
STATE CORPORATION COMMISSION
Tyler Building
1300 E. Main Street
Richmond, Virginia 23219

and one copy was sent via overnight delivery to:

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Susan E. Salch

October 10, 2003

**ROA/TRG RECEIVERSHIP
AND
ANLIR, DIR, AND TRA RECEIVERSHIPS**

AGREEMENT TO STAY PROCEEDINGS AND TOLLING AGREEMENT

This Agreement To Stay Proceedings and Tolling Agreement (the "Agreement"), effective October 10, 2003, is entered into by (i) the Deputy Receiver for Reciprocal of America ("ROA") and The Reciprocal Group ("TRG"), which have been placed in receivership ("ROA/TRG") by the Circuit Court for the City of Richmond, Virginia, and (ii) the Receiver for Doctors Insurance Reciprocal, Risk Retention Group ("DIR" and "RRG," respectively), American National Lawyers Insurance Reciprocal, RRG ("ANLIR"), and The Reciprocal Alliance, RRG ("TRA") (collectively, the "RRGs"), which have been placed in receivership by the Chancery Court of Davidson County, Tennessee. The Deputy Receiver for ROA/TRG on the one hand and the Receiver for the RRGs on the other are referred to in this Agreement separately as the "party" or "each party" and collectively as the "parties."

WHEREAS the parties agree that it is in the best interests of their respective receivership estates to toll the further pursuit of matters raised by the parties in the case before the Virginia State Corporation Commission (the "Commission" or the "SCC") styled In Re: Joint Petition of the Special Deputy Receivers for Doctor's Insurance Reciprocal, Risk Retention Group, American National Lawyers Insurance Reciprocal, Risk Retention Group, and The Reciprocal Alliance, Risk Retention Group, Case No. INS-2003-00092 (Va. State Corp. Comm'n 2003) (the "Litigation") in order to conserve assets and to allow them to marshal assets for their respective estates by, among other things, pursuing recoveries, either jointly or separately as described below, against third parties; and

WHEREAS the Deputy Receiver has been advised, based on information currently available, that ROA assets admissible under statutory accounting principles, consistently applied, and under practices and procedures prescribed or permitted by the Virginia Bureau of Insurance, are greater than or equal to liabilities arising under direct policies of insurance issued by ROA when such liabilities are discounted at a rate of 2% annually, and therefore, increases in the amount of ROA's available assets are expected to inure principally to the benefit of ROA's general creditors, understanding, for purposes of this recitation only, that it is the Deputy Receiver's position that the claims of the RRGs and their creditors hold a rank no higher than general creditor in the liquidation of ROA and TRG;

NOW THEREFORE, in consideration of the premises and the mutual agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:



1. Except as specifically agreed herein, the parties agree to notify jointly Hearing Examiner Michael D. Thomas (the "Hearing Examiner") and the Commission itself of the parties' agreement to stay further proceedings in the Litigation until September 30, 2004, embodied herein, in order to conserve assets and to give the parties an opportunity to marshal assets for their respective receivership estates and to pursue recoveries against third parties. Said notice shall request that the Hearing Examiner and the Commission stay the Litigation at least until September 30, 2004, and take all other actions necessary to effectuate this Agreement.

2. The parties acknowledge that this Agreement shall not apply to the RRGs' response to the Deputy Receiver's Motion for Summary Judgment and does not suspend the September 30, 2003 deadline for the RRGs' response to the Motion for Summary Judgment or the deadline for the Deputy Receiver's Reply to that Response. With those two exceptions, once approved by the Hearing Examiner and the Commission, this Agreement shall suspend all additional proceedings in the Litigation, effective as of the date of approval of the Agreement by the Hearing Examiner, including the evidentiary hearing currently scheduled to begin on December 8, 2003, and all discovery by any of the parties with regard to the Litigation. In the interim period prior to such approval, the parties agree to suspend all litigation activity, including discovery (except as otherwise mutually agreed to by the parties), in the Litigation and to petition jointly the Hearing Examiner to suspend any applicable deadlines, including the October 31, 2003 deadline for discovery until approval of this Agreement can be considered by the Hearing Examiner and the Commission. The parties agree to use their best efforts to ensure that such consideration occurs as soon as possible.

3. As part of this Agreement, the parties mutually agree not to pursue further any claims or counterclaims against each other, including any claims or counterclaims previously filed or any new claims or counterclaims, until after the Agreement is terminated. The parties also agree to suspend the statutes of limitations and repose and the defense of laches, or any other prohibitions against any such claims or counterclaims, but only during the period that this agreement is in place and only to the extent that any such defense or prohibition did not already exist as of the date of this Agreement.

4. With regard to recoveries from third parties, the parties agree in good faith to try to negotiate a Common Interest Agreement to coordinate their efforts to pursue other third parties, as they may decide from time to time is in the best interests of their respective receivership estates. In the absence of a Common Interest Agreement to pursue recovery jointly against a particular third party, each of the parties reserves the right to pursue separately recovery against that third party, but the parties agree that in any such case they will try in good faith to negotiate a Common Interest Agreement that will allow them to share information, whether gained through discovery or otherwise, and to pursue recovery against any third party in whatever coordinated way they may deem appropriate under the circumstances.

5. The parties agree to the following exceptions to this Agreement:

a. The parties may continue to pursue or defend their respective interests with regard to matters raised by the case before the Commission styled Commonwealth of Virginia, ex rel. State Corporation Commission v. Reciprocal of America, In Receivership, and

The Reciprocal Group, In Receivership, Case No. INS-2003-00024 (Va. State Corp. Comm'n 2003), including the payment of certain workers' compensation payments that were addressed, *inter alia*, in the Commission's June 10, 2003 Order Canceling Hearing issued in the Litigation and its June 20, 2003 Order of Liquidation issued in Case No. INS-2003-00024, and that were addressed at the Commission's hearing on September 17, 2003; provided that the parties may not pursue in Case No. INS-2003-00024 any matter that is part of or is raised (or should have been raised) by the Litigation; and provided further that before raising any matter in Case No. INS-2003-00024 that may adversely affect the other party, each party shall attempt to resolve privately the matter(s) that may adversely affect the other party.

b. With regard to direct insureds and policyholders of ROA/TRG with claims subject to the moratorium on claim payments issued in the Deputy Receiver's Fifth Directive, the parties agree to move jointly to obtain the Commission's approval for the Deputy Receiver of ROA/TRG to make payments to such insureds from the ROA/TRG estate of a percentage of any approved claim equal to the percentage determined by ROA/TRG's actuaries, and agreed to by the parties, that represents the minimum percentage recovery that the actuaries reasonably believe will be available at the end of the receivership to pay all policyholders and insureds of ROA/TRG and approved claims of state guaranty associations, assuming (for the purposes of this calculation only) that policyholders and insureds of the RRGs are determined to be entitled to be treated in the same manner and with the same priority as ROA/TRG policyholders and insureds. Further, in making this calculation of the percentage of funds available, the approximately \$57 million obtained by ROA/TRG on April 3, 2003, from funds originating with First Virginia Reinsurance, Ltd., shall continue to be held by the Deputy Receiver and shall not be included in the total ROA/TRG assets available for the calculation, and the total of the RRGs' claims shall be reduced by the same amount. The RRGs also agree that, once a percentage is agreed upon by the parties, the RRGs shall not later claim that such payments made using that percentage constitute an illegal preference among similarly situated creditors under Va. Code Ann. § 38.2-1509(B)(1).

6. This Agreement may be terminated prior to September 30, 2004, and may be continued beyond September 30, 2004, as follows:

a. Prior to September 30, 2004, either party may terminate this Agreement by providing sixty (60) days' written notice of its intent to do so.

b. The Agreement shall be continued automatically for additional successive six-month periods unless either party gives written notice of termination to the other party within thirty (30) days prior either to September 30, 2004, or to the end of the then-current six-month extension period.

c. The parties agree that any modification by the Commission of its June 10 Order Canceling Hearing affecting the continued payment of certain workers' compensation claimants shall not result in the automatic termination of this Agreement.

d. If at any time this Agreement is terminated, the Litigation shall continue as if there had been no such Agreement, with the intent that the Hearing Examiner will set a

new schedule giving due consideration to his August 6, 2003, Ruling. Furthermore, in that event, the Deputy Receiver agrees that he may not amend his pending Motion for Summary Judgment or his Memorandum in Support of that Motion, the RRGs agree that they may not amend their Response to the Deputy Receiver's Motion for Summary Judgment, and the Deputy Receiver agrees that he may not amend his Reply to that Response. The Parties agree to seek in any order approving this agreement a provision consistent with this paragraph.

7. Taking into account the statement contained in the second "WHEREAS" clause, above, the parties hereto agree that if the Agreement is terminated, neither party shall use in the matter designated INS-2003-00092, nor in any other proceeding asserting the same claims against ROA/TRG, any communication, statement, admission or declaration against interest made on or after the effective date of this Agreement by the parties, or their agents to each other or to any other person, such communications to include those protected by Federal Rule 408 and communications typically protected under a Common Interest Agreement or Joint Defense Agreement. Nor will the parties propound on each other any interrogatory, request for admission, or other discovery question the purpose of which is to require any party to readmit or otherwise adopt any prior such statement, admission, or declaration against interest.

8. Unless otherwise agreed by the parties, any notices required or permitted to be given to either party in connection with this Agreement shall be delivered personally, sent by overnight courier service or sent by facsimile transmission to the address of such party set forth below, and shall be effective upon receipt thereof by the addressee unless otherwise provided by this Agreement:

a. If to the Deputy Receiver for ROA/TRG:

The Honorable Alfred W. Gross
Deputy Receiver
Reciprocal of America and The Reciprocal Group
State Corporation Commission
1300 E. Main Street
Richmond, Virginia 23218

With a copy to:

Patrick H. Cantilo, Esq.
CANTILO & BENNETT, L.L.P
7501C North Capital of Texas Highway, Suite 200
Austin, Texas 78731
(512) 404-6550 (Fax)
Counsel to the Deputy Receiver

b. If to the RRGs:

The Honorable Paula A. Flowers
Receiver

American National Lawyers Insurance Reciprocal,
Risk Retention Group ("RRG"), Doctors Insurance Reciprocal,
RRG, and The Reciprocal Alliance, RRG
c/o Tennessee Department of Commerce and Insurance
Fifth Floor
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243-1162
(615) 532-6934 (Fax)

With a copy to:

H. Lane Kneeder, Esq.
REED SMITH LLP
901 East Byrd Street, Suite 1700
Richmond, Virginia 23219
(804) 344-3402 (Fax)
Counsel to the RRGs

or to such other address or addresses as either party may specify in a notice given to the other party in the manner prescribed above.

9. The construction and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, notwithstanding that it shall be deemed to be performable in both Virginia and Tennessee. Venue for any cause of action between the parties relating to the construction or enforcement of this Agreement shall be deemed to be exclusively in the State Corporation Commission in Richmond, Virginia.

10. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under all applicable laws. However, if any provision of this Agreement or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Agreement and the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected.

11. Any number of counterparts of this Agreement may be executed and delivered, and each shall be deemed an original, and together they shall constitute one Agreement.

IN WITNESS WHEREOF, each of the parties has executed and delivered this Agreement as of October 10, 2003.



Alfred W. Gross, Deputy Receiver
Reciprocal of America and The Reciprocal Group

October 10, 2003

Paula A. Flowers, Receiver of American National Lawyers Insurance Reciprocal, Risk Retention Group ("RRG"), Doctors Insurance Reciprocal, RRG, and The Reciprocal Alliance, RRG

American National Lawyers Insurance Reciprocal,
Risk Retention Group ("RRG"), Doctors Insurance Reciprocal,
RRG, and The Reciprocal Alliance, RRG
c/o Tennessee Department of Commerce and Insurance
Fifth Floor
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243-1162
(615) 532-6934 (Fax)

With a copy to:

H. Lane Kneedler, Esq.
REED SMITH LLP
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Richmond, Virginia 23219
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Counsel to the RRGs

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Alfred W. Gross, Deputy Receiver
Reciprocal of America and The Reciprocal Group

Paula A. Flowers ^{2/08}

Paula A. Flowers, Receiver of American National Lawyers Insurance Reciprocal, Risk Retention Group ("RRG"), Doctors Insurance Reciprocal, RRG, and The Reciprocal Alliance, RRG